

Instructions: Review the instructions below for an overview of each step that needs to be taken for the economic analysis of a public wastewater facility. Then, start at Worksheet A and work through each of the worksheets until you finish the analysis. The next tab after this one--the 'Summary Worksheet' tab--is to be filled out after you work through each worksheet in order to summarize your results. For a Non-Degradation analysis, go directly to the second to last tab labeled "Non-Deg", read the instructions, and then start at Worksheet A.

Summarized below are the steps that need to be taken for the economic analysis of a public wastewater facility. Also provided to the right is a flowchart that summarizes those same steps. It is highly recommended that you read through the complete 'EPA Interim Economic Guidance for Water Quality Standards' (EPA Guidance) which can be found on-line at <http://www.epa.gov/waterscience/standards/econworkbook/>. The instructions in this Excel spreadsheet are not meant to be a substitute for the full EPA Guidance. The worksheets provided in this Excel document correspond directly to the EPA Guidance, although it is important to note that several key changes have been made from the EPA Guidance in various sections of this worksheet in order to tailor this analysis to Montana's needs.

OVERALL STEPS SUMMARY

NOTES

Step 1: Verify Project Costs and Calculate the Annual Cost of the Pollution control project

Step 2: Calculate Total Annualized Pollution Control Costs Per Household

Steps 3-5: The Substantial Test

Step 3: Calculate and Evaluate the Municipal Preliminary Screener Score-- identifies only entities that can pay for sure

If the public entity passes a significant portion of the pollution control costs along to private facilities or firms, then the review procedures outlined in Chapter 3 of the EPA workbook for 'Private Entites' should also be consulted to determine the impact on the private entities.

Step 4: Apply the Secondary Test - This measurement incorporates a characterization of the the socio-economic and financial well-being of households in the community.

The ability of a community to finance a project may be dependent upon existing household financial conditions within that community.

Step 5: Assess where the community falls in The Substantial Impacts Matrix - This matrix evaluates whether or not communities are expected to incur **substantial** economic impacts due to the implementation of the pollution control costs. If the applicant cannot demonstrate substantial impacts, then they will be required to meet existing water quality standards. If they can demonstrate substantial impacts, then the applicant moves on to the Widespread Test.

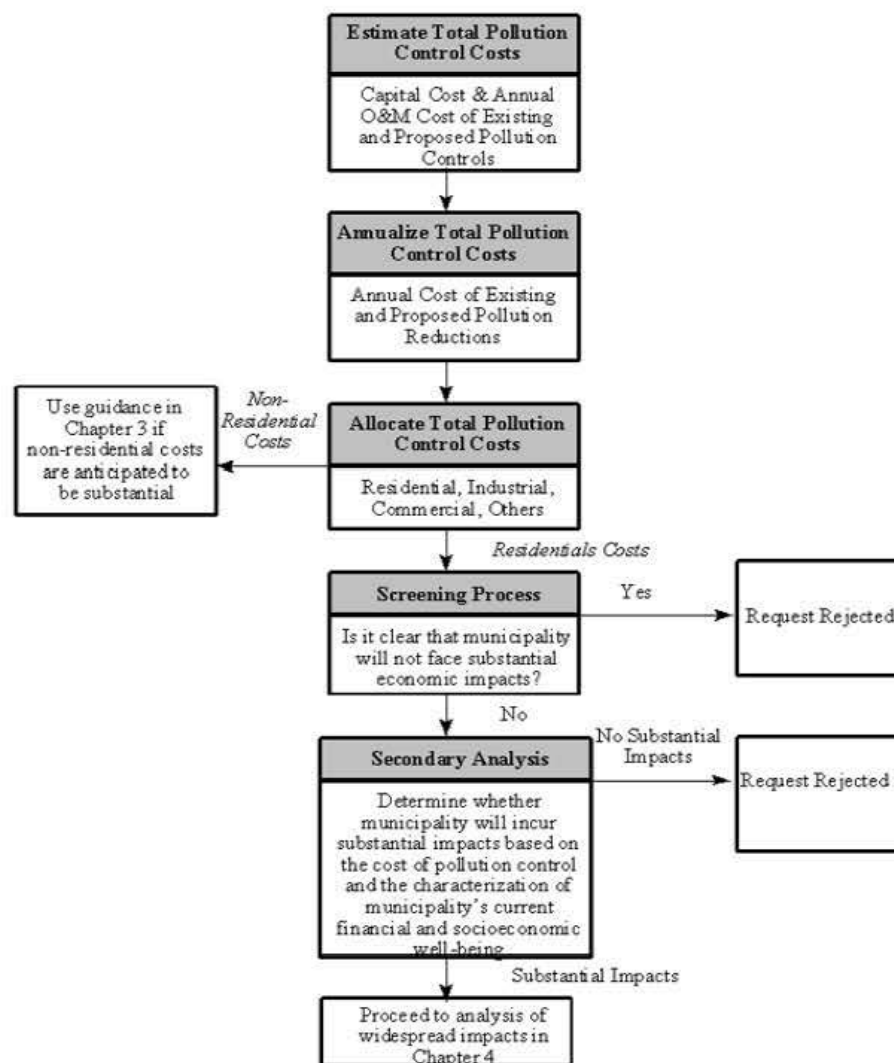
The evaluation of substantial impacts resulting from public entity compliance with water quality standards includes two elements, 1) financial impacts to the public entity (reflected in increased household wastewater fees) and 2) current socioeconomic conditions of the community. Governments have the authority to levy taxes and distribute pollution control costs among households and businesses according to the tax base. Similarly, sewage authorities charge for services, and thus can recover pollution control costs through users fees. In both cases, a substantial impact will usually affect the wider community. Whether or not the community faces substantial impacts depends on both the cost of the pollution control and the general financial and economic health of the community.

Step 6-Widespread Test

Step 6: If impacts are expected to be substantial, then the applicant goes on to demonstrate whether they are also expected to be **widespread** (Go to "DEQ Widespread Criteria" tab).

Estimated *changes* in socio-economic indicators will be used to determine whether widespread impact has occurred

**Figure 2-1:
Measuring Substantial Impacts
(Public Entities)**



Instructions: Fill out the Summary Worksheet below in order to summarize the results that you reach for each step for your analysis. This is help to give a simple overview of what you found out.

OVERALL STEPS SUMMARY

Step 1: Verify Project Costs and Calculate the Annual Cost of the Pollution control project

Step 2: Calculate Total Annualized Pollution Control Costs Per Household

Step 3: Calculate and Evaluate the Municipal Preliminary Screener Score-- identifies only entities that can pay for sure

Step 4: Apply the Secondary Test and Report what you find - This measurement incorporates a characterization of the community's current financial and socioeconomic well-being

Step 5: Assess where the community falls in The Substantial Impacts Matrix - This matrix evaluates whether or not communities are expected to incur **substantial** economic impacts due to the implementation of the pollution control costs. If the applicant cannot demonstrate substantial impacts, then they will be required to meet existing water quality standards. If they can demonstrate substantial impacts, then the applicant moves on to the Widespread Test.

Step 6: If impacts are expected to be substantial, then the applicant goes on to demonstrate whether they are also expected to be **widespread in the study area** (Go to "DEQ Widespread Criteria" tab).

Step 7: Present the Final Conclusion

Tests for Substantial Impacts

Worksheet A--Pollution Control Project Summary Info

For the purposes of this workbook, a **public entity** refers to any governmental unit that must comply with pollution control requirements in order to meet water quality standards. The most common example is a municipality or sewage authority operating a publicly owned treatment works (POTW) that must be upgraded or expanded. Municipalities, however, may also be required to control other point sources or nonpoint sources of pollution within their jurisdiction.

Note: The most cost effective project is preferred. Public entities should consider a broad range of discharge management options including pollution prevention, end-of-pipe treatment, and upgrades or additions to existing treatment. Specific types of pollution prevention activities that should be considered are found in Chapter 2 of the EPA Guidance.

*Whatever the approach, the applicant must demonstrate that the proposed project is the most appropriate means of meeting water quality standards and must document project cost estimates. **If at least one of the treatment alternatives that meets water quality standards will not have a substantial financial impact, then the community should not proceed with the analysis presented in the rest of this workbook.***

For the "Substantial" portion of this test, please define the affected area and use that throughout this section. The area is defined as the governmental jurisdiction responsible for paying wastewater compliance costs--typically a town or municipality. If only a proportion of the community is served, only those who pay are the affected community; however, if such fine-resolution data are not available, then data for the whole community may be used instead.

Current Capacity of the Pollution Control System (skip this for Non-Deg)	_____	(million gallons per day)
Design Capacity of the Pollution Control System	_____	(million gallons per day)
Current Excess Capacity % (skip this for Non-Deg)	_____	
Expected Excess Capacity after Completion of Project %	_____	
Projected Groundbreaking Date	_____	
Projected Date of Completion	_____	

Please describe the pollution control project being proposed, including directly relevant infrastructure needed in addition to the plant (e.g. new sewage pipes) and how the project meets water quality standards:

Please describe the other pollution control options considered, explaining why each option was rejected. Explain how each alternative would have met water quality standards.

Is the proposed project the least expensive that can be used to meet the water quality standards goals? If not, give reasons why it is not.

Tests for Substantial Impacts

Worksheet B--Calculation of Total Annualized Project Costs for Required Upgrades

Note: The capital portion of project costs is typically financed over approximately 20 years, by issuing a municipal debt instrument such as a general obligation bond or a revenue bond. Local governments may also finance capital costs using bank loans, state infrastructure loans (revolving funds), or federal subsidized loans (such as those offered by the Farmers Home Administration)

If project costs were estimated for some prior year, these costs should be adjusted upward to reflect current year prices using the average annual national Consumer Price Index (CPI) inflation rate for the period

Capital Cost of Project	\$0
Other One-Time Costs of Project (Please List, if any):	
_____	\$0
_____	\$0
_____	\$0
_____	\$0
Total Capital Costs (Sum column) \$ (1)	\$0 This includes costs of directly relevant new infrastructure needed to meet requirements such as underground pipes
Portion of Capital Costs to be Paid for with Grant Monies \$ (2) (Paul)	\$0 This should be a realistic amount and should be identical to financing plans identified in the Preliminary Engineering Report
Capital Costs to be Financed [Calculate: (1) - (2)] \$ (3)	\$0
Type of financing (e.g., G.O. bond, revenue bond, bank loan)	<input type="text"/>
Interest Rate for Financing (expressed as decimal) (i)	0.02 The interest rate should reflect the type of debt instrument likely to be used.
Time Period of Financing (in years) (n)	20
Annualization Factor = $i / [(1+i)^n - 1]$ (or see Appendix B) (4)	0.061156718 Loan coverage should be included - this applies to revenue bonds and varies between 110 to 125% depending on funding source. SRF is 125%. Loan coverage is the annual debt multiplied by some factor to account for non-payment.
Annualized Capital Cost [Calculate: (3) x (4)] (5)	\$0
<u>B. Operating and Maintenance Costs</u>	
Annual Costs of Operation and Maintenance (including but not limited to: monitoring, inspection, permitting fees, waste disposal charges, repair, administration and replacement.) (Please list below and state in terms of dollars per year)	
	\$0
	\$0
	\$0
	\$0
Total Annual O & M Costs (Sum column) \$ (6)	\$0
<u>C. Total Annual Cost of Pollution Control Project</u>	
Total Annual Cost of Pollution Control Project [(5) + (6)] \$ (7)	\$0

Tests for Substantial Impacts

Worksheet C-Calculation of Total Annual Pollution Control Costs Per Household

Include those households in the study area that pay wastewater fees on the system in question.

In order to calculate the current annual pollution control costs for households, it is recommended that you use the actual current annual wastewater fee that is currently being paid by households. You should be able to obtain that number from the municipality that is being studied. Once you obtain that number, enter it directly into cell F19. It may still be useful to fill in the rows above that cell--especially the percentage amount household are currently paying of the existing total wastewater fee. If the current fee being paid is not available, then you can use the formula provided here to estimate current annual fee.

A. Current Pollution Control Costs:

Current sewer rate

Total Annual Cost of Existing Pollution Control \$ (1)

\$0 This should include all existing charges related to wastewater treatment as well as fees associated with directly relevant existing wastewater infrastructure such as sewer lines

Amount of Existing Costs Paid By Households \$ (2)

\$0

Percent of Existing Costs Paid By Households %(3)

Number of Households* (4)

0

Annual Cost Per Household [Calculate: (2)/(4)] \$ (5)

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Use the actual current annual wastewater fee that is being paid by households. If the current fee being paid is not available, then you can use the formula provided here to estimate current annual fee.

* Do not use number of hook-ups.

B. New Pollution Control Costs

Are households expected to provide revenues for the new pollution control project in the same proportion that they support existing pollution control? (Check a, b or c and continue as directed.)

a) Yes [fill in percent from (3)] percent.(6a)

b) No, they are expected to pay _____ percent.(6b)

c) No, they are expected to pay based on flow. (Continue on Worksheet C, Option A-- See below)

Total Annual Cost of Pollution Control Project [Line (7), Worksheet B] \$ (7)

0

Proportion of Costs Households Are Expected to Pay [(6a) or (6b)] (8)

50.00%

Amount to Be Paid By Households [Calculate: (7) x (8)] \$ (9)

0

Annual Cost per Household [Calculate: (9)/(4)] \$ (10)

C. Total Annual Pollution Control Cost Per Household

Total Annual Cost of Pollution Control Per Household (5) + (10) \$ (11)

#DIV/0! As an alternative to the formula outlined here for new pollution control costs, you may instead use the rate the municipality is intending to charge customers to pay for the new WWTP. If this given rate includes both existing and new costs, then this is the final 'annual cost' number to be used in the municipal household screener in the next tab and the number to enter in box F46. If the new costs given are to be added on to existing costs, then enter the 'new cost' number in box F40, and this number will automatically add to the number found in F17 and give a final result in box F46.

#DIV/0!

Worksheet C: Option A---Flow based

Calculation of Total Annual Pollution Control Costs Per Household--Flow based

A. Calculating Project Costs Incurred By Households Based on Flow

Expected Total Usage of Project (eg. MGD for Wastewater Treatment)		(1)
Usage due to Household Use (MGD of Household Wastewater)		(2)
Percent of Usage due to Household Use [Calculate: (2)/(1)]	#DIV/0!	(3)
Total Annual Cost of Pollution Control Project	\$_____ (4)	(4)
Industrial Surcharges, if any	\$_____ (5)	(5)
Costs to be Allocated [Calculate: (4) - (5)]	0	(6)
Amount to Be Paid By Households [Calculate: (3) x (6)]	#DIV/0!	(7)
Annual Project Cost per Household [Calculate: (7)/Worksheet C, (4)]	#DIV/0!	(8)

C. Total Annual Pollution Control Cost Per Household

Annual Existing Costs Per Household [Worksheet C, (5)]	#DIV/0!	(9)
Total Annual Cost of Pollution Control Per Household [(8) + (9)]	#DIV/0!	(10)

Tests for Substantial Impacts

Worksheet D-Municipal Preliminary Screener

The Municipal Preliminary Screener indicates quickly whether a public entity will not incur any substantial economic impacts as a result of the proposed pollution control project. The formula is as follows:

(Total Annual Pollution Control Cost per Household/Median Household Income) X 100

Also added to this screener is a test of Low to Moderate Household Income Percentage rate to account for towns with a high Median Household Income, yet also with a disproportionately high number of low to moderate income households.

A. Calculation of The Municipal Preliminary Screener

Total Annual Pollution Control Cost Per Household [Worksheet C, (11) or Worksheet C, Option A (10)] (1)

_____ If the town or municipality has already calculated a new wastewater annual fee to take into account existing and new wastewater treatment levels, then use that number rather than using the formula here

Median Household Income (MHI)* \$ (2)
(use CPI to update income number to current year)

_____ The source for MHI data can be found by contacting Susan Ockert-Montana Dept of Commerce, Census and Economic Information Center, (406) 841-2740. She uses data from the U.S. Census Bureau, Small Area Income and Poverty Estimates, found at

Municipal Preliminary Screener (Calculate: [(1)/(2)] x 100) %(3)

#VALUE!

B. Evaluation of The Municipal Preliminary Screener

Impact level of additional water treatment costs is [Little, mid-range, large]--
(see below)

_____ For LMI data, contact Susan Ockert-Montana Dept of Commerce/Census and Economic Information Center, (406) 841-2740. This data also found at U.S. Census Bureau, Census 2000.

Low to Moderate Income Percentage Rate of the town or community (LMI).
See below for where the LMI percentage of your municipality falls .

If the Municipal Preliminary Screener benchmark comparison is clearly less than 1.0%, and the LMI is 'low' or 'mid-range', then it is assumed that the cost of meeting standards will not impose an undue financial burden and the analysis is done. In this case, no variance will be given and it is not necessary to continue with the Secondary Test in the next tab. If the Municipal Preliminary Screener benchmark comparison is 1% or greater, then it is necessary to continue to the secondary test in the next tab. Also, if the Municipal Preliminary Screener is clearly less than 1.0% and the LMI is 'high', then one may continue the analysis and move on to the Secondary Test.

Is a secondary test necessary?

Municipal Preliminary Screener Benchmark Comparison:**Little Impact**

Less than 1.0%

Mid-Range Impact

1.0% - 2.0%

Large Impact

Greater than 2%

Indication of no substantial economic impacts**Proceed to Secondary Tests****Low to Medium Income Percentage Rate Benchmark Comparison:****Low**

Less than 33%

Mid-Range

33-62%

High

More than 62%

Tests for Substantial Impacts

Worksheet E: Data Used in the Substantial Impacts-Secondary Test

The Secondary Test is a continuation of the "Substantial" testing procedures. It describes the socioeconomic health of households in the community, and thus their ability to take on further costs of meeting additional water quality standards. In the data collection below, use the latest data available. Obtain as many of these values as possible by contacting (unless otherwise indicated) Susan Ockert at the Montana Department of Commerce, Census and Economic Information Center at (406) 841-2740. Again, for the "Substantial" portion of this test, the affected area is the governmental jurisdiction responsible for paying wastewater compliance costs--typically a town or municipality.

A. Data Collection		for _____	(List town)
Data	Potential Source	Value	Notes
Poverty Rate of a town or community	Source: U.S. Census Bureau, Census 2000: Compiled by Census and Economic Information Center, Montana Department of Commerce, (406) 841-2740, www.ceic.mt.gov ,	_____ %	Montana average is about 13.0%. See http://www.census.gov/hhes/www/saipe/modeinput.html and http://www.census.gov/hhes/www/saipe/nonte
Low to Moderate Income Percentage Rate of a town or community (LMI)	Source: Census 2000, Susan Ockert-Montana Dept of Commerce/Census and Economic Information Center, (406) 841-2740, www.ceic.mt.gov ,	_____ %	
Community Unemployment Rate	Source: Montana Department of Labor and Industry, Research and Analysis Bureau, Local Area Unemployment Statistics compiled by CEIC	_____ %	
Montana Unemployment Rate	Montana Dept of Labor and Industry, Research and Analysis Bureau, Local Area Unemployment stats compiled by CEIC.--Barbara Wagner. http://www.ourfactsyourfuture.org/cgi/dataanalysis/?PAGEID=94&SUBID=208 . Taken from Bureau of Labor Statistics	4.9% --latest figure for state of Montana, Nov 2008	
Community Median Household Income	Susan Ockert-Montana Dept of Commerce, Census and Economic Information Center, uses data from the U.S. Census Bureau, Small Area Income and Poverty Estimates. That web site is http://www.census.gov/hhes/www/saipe/index.html		See http://www.census.gov/hhes/www/saipe/modeinput.html and http://www.census.gov/hhes/www/saipe/nontechedoc/intro.html for more info
State Median Household Income	Susan Ockert-Montana Dept of Commerce/Census and Economic Information Center	\$43,531	for 2007

Local Property Tax Revenues + Local
Fees

*Annual Financial Reports of the Cities and Towns of
Montana*, sheet entitled "Government-wide
Statement of Activity", Local Government Services
Bureau, Dept of Administration, State of Montana,
Kim Smith, (406) 841-2905.
or

City or town population

Community Financial Statements, Town, County or
State Assessor's Office
<http://ceic.mt.gov/>. Specifically,
[http://ceic.mt.gov/Demog/estimate/pop/City/SUB-
EST2007-04-30.htm](http://ceic.mt.gov/Demog/estimate/pop/City/SUB-EST2007-04-30.htm)

Revenues, Taxes and Fees Burden
Index (should automatically calculate)

(Total Property Tax, Fees & Revenues/Community
MHI/population)*100

#DIV/0!

Tests for Substantial Impacts

Worksheet F- Substantial Impacts: Calculating the Secondary Score

The Secondary Test is designed to build upon the characterization of the financial burden identified in the Municipal Preliminary Screener. The Secondary Test describes the socioeconomic health of the households in a community and thus their ability to pay for additional wastewater treatment.

There are five socioeconomic criteria that are summed up and averaged to see where the households within a community fall in terms of financial health. For each of the five criteria, a **strong** score is recorded in the right hand column as a '3', indicating strong socioeconomic health for that criteria and thus a greater chance of being able to pay for additional wastewater treatment (and lesser chance of a variance).

A **mid-range** score is recorded as a '2' and indicates moderate or average socioeconomic health for the particular criteria. A **weak** score should be recorded as a '1' and indicates poor socioeconomic health for the given criteria or less ability to pay (and a greater chance of being granted a variance). The average score of all five indicators falls into those same categories and should be judged in the same way.

Note: The last criteria, Property tax, fees and revenues divided by MHI and population, gives an indication of the existing burden on local residents within the municipality of fees for local services and of local taxes. Those citizens of towns already paying a lot of money relatively for services such as wastewater and garbage and/or paying higher local taxes are assumed to be less able to pay additional monies for additional wastewater treatment.

Please record the scores in the final column. This table will sum the scores and compute an average. Then, move on to the next tab which is the Substantial Impacts Matrix.

Table 2-1 Secondary Indicators for the Municipality (or study area)

SocioEconomic Indicators

	Secondary Indicators				
Indicator	Weak*	Mid-Range**	Strong***	Score	
Poverty Rate	More than 22%	10-22%	Less than 10%	2	Update this criteria every few years (or after a census)
Low to Medium Income Percentage (LMI)	More than 62%	33-62%	Less than 33%	2	Update this criteria every few years (or after a census)
Unemployment	More than 1% above State Average (>5.9%)	State Average---4.9%	More than 1% below State Average (<3.9%)	2	Update this criteria every few years (or after a census)
Median Household Income	More than 10% below State Median	State Median--\$43,531	More than 10% above State Median	1	Update this criteria every few years (or after a census)
Property Tax, fees and revenues divided by MHI and indexed by population	More than 3.5	3.5 to 2	Less than 2	3	Update this criteria every few years (or after a census)

* Weak is a score of 1 point

** Mid-Range is a score of 2 points

*** Strong is a score of 3 points

SUM:

10

AVERAGE:

2.00

Equal to the Sum divided by the number of Indicators given a score

* Weak is a score of 1 point

** Mid-Range is a score of 2 points

*** Strong is a score of 3 points

<http://www.epa.gov/waterscience/standards/econworkbook/table21.html>

Note: If the applicant is not able to develop one or more of the five indicators, they must provide an explanation as to why the indicator is not appropriate or not available.

Tests for Substantial Impacts

Assessment of Substantial Impacts Matrix

Table 2-2

Assessment of Substantial Impacts Matrix

	Minicipal Preliminary Screener		
	Less than 1%	1% to 2%	Greater than 2%
Secondary score			
Less than 1.5	Borderline	X	X
Between 1.5 and 2.5	\$	Borderline	X
Greater than 2.5	\$	\$	Borderline

X-Impacts are Substantial: Move to widespread analysis

Borderline-Impacts may be Substantial: Move to widespread analysis

\$-Impacts are not substantial and the community can pay: No variance

Result:

Communities falling into either the "X" or the "Borderline" category should proceed to the next tab (or Chapter 4 in the EPA Guidance) to determine whether the impacts from the project are also expected to be Widespread. The analyst should note if the result is close to another category. For example, if the Screener score is 1.1 and the Secondary Score is 2.4, the analyst should note that although the town falls into the 'borderline' category, it comes close to falling into the '\$' category.

Criteria for Widespread Impacts

DEQ Widespread Criteria - Factors to Consider in Making a Determination of Widespread Social and Economic Impacts

The financial impacts of undertaking pollution controls could potentially cause far-reaching and serious socioeconomic impacts. If the financial tests outlined in Chapter 2 and 3 of the EPA Guidance or in the Substantial Test tabs of this worksheet suggest that a discharger (public or private) or group of dischargers will have difficulty paying for pollution controls (that the effects will be Substantial), then an additional analysis must be performed to demonstrate that there will be widespread adverse impacts on the community or surrounding area. There are no economic ratios per se that evaluate socioeconomic impacts. Instead, the relative magnitudes of indicators such as increases in unemployment, losses to the local economy, and changes in disposable income should be taken into account when deciding whether impacts could be considered widespread. Since EPA does not have standardized tests and benchmarks with which to measure these impacts, the following guidance is provided as an example of the types of information that should be considered when reviewing impacts on the surrounding community.

At a minimum, the analysis must define the affected community (the geographic area where project costs pass through to the local economy), consider the baseline economic health of the community, and finally evaluate how the proposed project will affect the socioeconomic well-being of the community. Applicants should feel free to consider additional measures not mentioned here if they judge them to be relevant. Likewise, applicants should not view this guidance as a check list. In all cases, socioeconomic impacts should not be evaluated incrementally, rather, their cumulative effect on the community should be assessed.

Answer the four 'Descriptive Categories' as fully as possible. Then, answer the six primary criteria. **The answers to these primary criteria in relation to the Descriptive categories will form the backbone of the final answer to whether impacts would be Widespread.** If there is still uncertainty as to whether impacts are widespread, answer the Secondary questions. The Secondary questions are used to help answer the question of whether impacts are Widespread if the Primary Criteria do not yield a clearcut answer. The interdependence between the affected entity(ies) and the affect community is a major factor in demonstrating that the impacts are widespread.

INPUT CATEGORY	Weight of Importance	Answer	Helpful Resources
Descriptive Define the affected study area or community. This is the geographic area where <u>direct</u> project costs pass through to the local economy. In the case of municipal pollution control projects, the affected community is most often the immediate municipality. There are, however, exceptions where the affected community includes individuals and areas outside the immediate community. For example, if business activity of the region is concentrated in the immediate community, then outlying communities dependent upon the immediate municipality for employment, goods, and services should also be included in the analysis. Thus, the Widespread geographical area can encompass a greater area than the immediate town and/or those served by the wastewater system. It can encompass a greater area than defined in Substantial impacts. ¹ (1)	Descriptive	_____	
Describe the current general economic trend in the study area or community-- qualitatively or quantitatively. (2)	Descriptive	_____	See http://censtats.census.gov/usa/usa.shtml and http://censtats.census.gov/usa/usa.shtml . Also, contact Susan Ockert-Montana Dept of Commerce/Census and Economic Information Center, (406) 841-2740.
Name the main industry(s) in the study area and indicate if any major industries are intending to enter the area or leave the area. What is the current health of that main industry or of each industry if more than one? Is the boom and bust potential for the study area great? (3)	Descriptive	_____	contact Susan Ockert-Montana Dept of Commerce/Census and Economic Information Center, (406) 841-2740.
Indicate the general population trend in the area. Is the community growing or shrinking? Specifically state if young people are staying in the area or leaving after they graduate school. (4)	Descriptive	_____	Contact Susan Ockert-Montana Dept of Commerce/Census and Economic Information Center, (406) 841-2740 or go to http://ceic.mt.gov/Demog/estimate/pop/City/SUB-EST2007-04-30.htm

¹ Here are some examples. If business activity in the region is concentrated in a nearby community and not in the immediate community, then the nearby community may also be affected by loss of income in the immediate community and should be included in the analysis. Similarly, if a large number of workers commute to an industrial facility that is significantly affected by the costs, then the affected community should include the home communities of commuters as well as the immediate community.

Primary Criteria

Answer the following 'Primary' questions. If the answers to questions 5 through 10 clearly indicate that there would be No Widespread Impacts, you may answer the secondary questions or end the analysis. If the answers to questions 5 through 10 are inconclusive, then answer the secondary questions. If the answers to questions 5 through 9 indicate that Impacts are Widespread, and the answer to 10 indicates no widespread benefits from meeting standards, then there **will likely** be widespread impacts according to the analysis. In this case, you are not required to answer secondary questions, but you may if you want. If the answers to questions 5 through 9 indicate that Impacts will be Widespread, and answer to 10 is that there might be positive widespread benefits from meeting standards, then there may not be widespread impacts. Please answer secondary questions in that case.

Describe how the economy in general would be affected, if at all, by having to meet water quality standard. Items of discussion could include any loss in population, changes in median income, the closing (or moving to another area) of one or more businesses and industries, or the impact on community and/or commercial development potential in the study area. One can use the baseline data from the Substantial tests to support this answer. (5)

Primary Importance

Will meeting the nutrient standards lead to a loss of employment due to a reduction in business activity or closure? If so, how many people do you estimate (or what % increase in unemployment rate) would become unemployed as a result? Please give specific examples of what might happen using your best professional judgement (6)

Primary Importance

If unemployment occurred as a result of meeting standards, are there other ample job opportunities to take up the slack (refer to current unemployment rate in Secondary test)? Please give examples. (7)

Primary Importance

Will meeting standards have a substantial effect on residential and commercial development patterns. For example, would homes and businesses choose to locate in different areas as a result of higher wastewater fees? In this answer, one may explore historical development patterns, financial and/or tax revenue impacts, population growth impacts, unintended impacts on water quality and any other potential consequences (good or bad). (8)

Primary Importance

What would be the estimated impact, if any, on disposable income of having to meet standards? How would this change in disposable income affect the overall economy in the area under consideration? Please give specific examples of what might happen using your best professional judgement (9)

Primary Importance

Would increased levels of water quality as a result of meeting water quality standards have any widespread positive economic and/or ecological effects on the community? Would expenditures on pollution controls to reach attainment have any positive effects on the community? (10)

Primary Importance

Based on your answers to the primary questions, is there a need to answer these secondary questions?

If no, go to question 18. If yes, answer the secondary questions

Secondary Criteria

Answer these Secondary questions to the best of your ability. If you think any of these are of primary importance, explain further and explain why. Taken as whole, determine whether these secondary questions in addition to the Primary questions support or do not support that impacts would be widespread.

What would be the estimated change in Median Household Income, if any, as a result of having to comply with numeric nutrient standards? Describe qualitatively and/or quantitatively. If any change, how would this affect the

Secondary

Median Household Income of the community in comparison to the state median which is \$43,531 (Source: Susan Ockert, CEIC, extracted from Decision Data Resources)? (10)

Secondary

What would be the estimated change in poverty level, if any, as a result of having to comply with water quality standards and would that change the comparison to the Montana average? The Montana average percent of households below the poverty line is 14.6%. (11)

Secondary

What would be the impact on property values within the affected area, if any, from having to meet numeric nutrient standards? (12)

Secondary

Is a large percentage of the wastewater treatment plant used by one or a few entities that would be affected by water quality standards? If yes, and these entities were hurt or closed down as a result of pollution control costs, would significant burden be placed on the rest of the users of that system? (13)

Secondary

If appropriate, would there be any multiplier effects from cost or benefits as a result of having to meeting numeric nutrient criteria? In other words will a dollar lost or gained as a result of the criteria result in the loss or gain of more than one dollar in the study area (e.g. direct and indirect spending)? (14)

Secondary

What would be the estimated change in overall net debt of the municipality as a result of having to meet numeric nutrient standards? (15)

Secondary

(For non-deg only). In the case of non-degradation, what is the community's majority opinion on growth and/or the entity coming into the town/region and building a facility? What is the community's majority opinion on degradation of the receiving stream's high quality water? (16)

Most Important (non-deg)

what if triggering nondeg is a result of just general growth in the community?

Is there any additional information that suggests that there are unique conditions in the affected community that should also be considered? (17)

Secondary

Based on the criteria you just filled out and on your own judgement, will this community experience widespread impacts (or 'Important Impacts' for Non-Deg)? Please describe how you reached this decision. (18)

ARRIVING AT A CONCLUSION: The main question to ask is whether widespread economic impacts are likely to occur in the study area as a result of attempting to comply with numeric nutrient standards? (yes/no) The key aspect of a "widespread determination" is that it evaluate change in the socioeconomic conditions that would occur as a result of compliance (EPA 1995).

The analyst should take into account as many of the factors listed above as possible when making a decision on whether impacts are widespread. The decision should be made based on all appropriate factors in a comprehensive manner (rather than as a checklist). The analyst will use his or her judgement on whether all the factors taken together (including some that may not be on this list) constitute widespread impact. Likewise, applicants should not view this guidance as a check list. In all cases, socioeconomic impacts should not be evaluated incrementally; rather, their cumulative effect on the community should be assessed as a whole. Applicants should feel free to use anecdotal information to describe any current community characteristics or anticipated impacts that are not listed in the worksheet.

The analyst may want to weight some of these factors more than others. In some cases, the results from a single category might be sufficient to determine whether widespread impacts will occur, even if other factors suggest differently. These categories are weighted by how important they are relative to the general idea "widespread" is attempting to address, although the analyst can use their own weights if supported by evidence.

In most cases, impacts at the state level will be relatively minor. If not, then impacts are, BY DEFAULT, widespread

There may be secondary impacts from having to meet numeric nutrient standards (not captured by the primary and secondary tests to the community). Secondary impacts, for example, might include depressed economic activity in a community resulting from the loss of purchasing power by persons losing their jobs or leaving the area due to increased user fees.

Reductions in employment caused by compliance with the water quality standards could be widespread if workers have no other employment opportunities nearby. Impacts may also be significant where the public entity(ies) is a primary producer of a particular product or service upon which other nearby businesses or the affected community depend. The impacts of reduced business activities or closure will be far greater in this case than if the products are sold elsewhere.

Potentially, one of the most serious impacts on the affected community's economy is the loss of employment caused by a reduction in business activity or closure. Applicants should also consider whether the lack of alternative employment opportunities may lead to an increased need for social services in the affected community.

Appendix C-Conceptual Measure of Economic Benefits of Clean Water (Optional)

In many cases, there may be economic benefits that accrue to the affected community from cleaner water. For example, in a rural community where the primary source of employment is agriculture, the reduction of fertilizer and pesticide runoff from farms would reduce the cost of treating irrigation water to downstream users. Another example might be an industrial facility discharging its wastewater into a stream that otherwise could be used for recreational cold-water fishing. Treatment or elimination of the industrial wastewater would provide a benefit to recreational fishermen by increasing the variety of fish in the stream. In both cases, the economic benefit is the dollar value associated with the increase in beneficial use or potential use of the waterbody. The types of economic benefits that might be realized will depend on both the characteristics of the polluting entity and characteristics of the affected community, and should be considered on a case by case basis.

Since the assessment of benefits requires site-specific information, it will be up to States to determine the extent to which benefits can be considered in the economic impact analysis. This determination should be coordinated with the EPA Regional Office. A more detailed description of the types of benefits that might be considered is given in Appendix C. This appendix is not intended to provide in-depth guidance on how to estimate economic benefits; rather, it is intended to give States an idea of the types of benefits that might be relevant in a given situation.

In valuing benefits associated with an ecological resource such as clean water, a basic distinction is made between the intrinsic value of the existence of the resource and its value in use by the human population. Use values are further subdivided into direct or indirect uses. Other valuation concepts arise from the uncertainty surrounding future uses and availability of the resource. A classification of these valuation concepts, along with examples, is presented in Table C-1 below.

C.1 Use Benefits

Estimating the benefits of clean water will depend upon several variables that describe the attributes of the resource and its uses. A waterbody might be used for recreational activities (such as fishing, boating, swimming, hunting, bird watching), for commercial purposes (such as industrial water supply, irrigation, municipal drinking water, and fish harvesting), or for both. Where recreational activities are created or enhanced due to water quality improvements, the public will benefit in the form of increased recreational opportunities. Similarly, the cost of treating irrigation and drinking water to down stream users could be reduced if pollutant discharges were reduced or eliminated in a particular stretch of river.

Direct use includes both consumptive and non-consumptive uses. Consumptive uses can be distinguished from non-consumptive uses in that the former excludes other uses of the same resource while the latter does not. For example, water is consumed when it is diverted from a waterbody for irrigation purposes. With non-consumptive uses, however, the resource base remains in the same state before and after use (e.g., swimming). Human health benefits associated with cleaner water could be consumptive (reduced illness from eating finfish or shellfish) or non-consumptive (reduced exposure to infectious diseases while recreating).

When estimating benefits, it is important to determine whether or not the resource and its uses (in this case clean water) can be considered market or non-market resources and uses (i.e., does a market exist for the resource or its use). For example, commercial fisheries have a market value reflected by the financial value of landings of a particular species. By contrast, no market exists to describe the value individuals receive from swimming. Where market values are available, they should be used to estimate benefits. In the case of water supply, there may or may not be a market for clean water. Some water users may be required to pay for that use as in the case of a farmer paying a regional water board to divert water for irrigation purposes. This will be particularly true in the arid west. By contrast, a manufacturing facility using water for cooling or process water may not pay anything for the right to pump and use water from an adjacent river. For resources with no market value, a number of estimation techniques including the travel cost, estimation from similar markets, and contingent valuation methods have been developed.

While they are conceptually distinct attributes, consumptive use is frequently associated with markets and non-consumptive use is frequently associated with non-market situations. Some resources that are considered market resources, however, may be used non-consumptively. The converse is also true. As an example of the first, a fee may be charged (other than parking) to gain entrance to a state park, however, while a swimmer's use of a lake in the park is not consuming any part of the lake.

Commercial activities that are dependent on clean water which is not directly owned are said to benefit from indirect use. Examples would be a fishing equipment manufacturer's dependence on healthy fish stocks to induce demand for its products or the dependence of property values on the pristine condition of an adjacent water body. Indirect use is also characterized by the scenic views and water enhanced recreational opportunities (camping, picnicking, birdwatching) associated with the quality of water in a water body. Indirect use benefits such as enhanced property values can be estimated using the hedonic price technique. Care should be taken, however, to not double-count benefits. If property values reflect the proximity to and thus use of water, then the value of the use should not be included separately.

C.2 Intrinsic Benefits

Intrinsic benefits include all benefits associated with a resource that are not directly related to the current use of the resource. Intrinsic benefits are represented by the sum of existence and option values. Existence value indicates an individual's (and society's) willingness to pay to maintain an ecological resource such as clean water for its own sake, regardless of any perceived or potential opportunity for that individual to use the water body now or in the future. Contributions of money to save endangered species such as the snail darter demonstrate a willingness to pay for the existence of an environmental amenity despite the fact that the contributors may never use it or even experience it directly.

Option value is the willingness to pay for having a future opportunity to use resources such as clean water in known or as yet unknown ways. In a sense it is a combination of insurance and speculative value. Individuals routinely pay to store or transport something they are not sure they will use in the future because they recognize it would be more costly to recreate the item than to preserve it. In an ecological sense, pristine habitats and wildlife refuges are often preserved under the assumption that plant or animal species which may yield pharmaceutical, genetic, or ecosystem benefits are yet to be discovered. Option value takes on particular importance when proposed development or environmental perturbations are largely irreversible or pollutants are persistent. Intrinsic benefits are difficult to measure due to the level of uncertainty associated with these benefits. The most common approach to estimating intrinsic benefits, however, is the contingent valuation method, which cannot be described in detail within this short overview.

C.3 Summary: Summarize the Water Quality Benefits of this pollution control project

Total valuation of clean water benefits includes all use and existence values as well as option value. The proper framework for estimating the economic benefits associated with clean water consists of 1) determining when damage first occurs or would occur; 2) identifying and quantifying the potential physical/biological damages relative to an appropriate baseline; 3) identifying all affected individuals both due to potential loss of direct or indirect services or uses, and to potential losses attributable to existence values (may include projections for growth in participation rates); 4) estimating the value affected individuals place on clean water prior to potential degradation; and 5) determining the time horizon over which the

waterbody would be degraded or restored to some maximum reduced state of service (if ever), and appropriately discounting the stream of potential lost services. If evaluating an improvement in water quality, the procedures are the same except that benefits gained are measured.

Table C-1: Categories of Use Benefits

Direct	Indirect	Intrinsic
Consumptive:	Fishing Equipment Manufacturer	Option Value (access to resource in future) Existence Value (knowledge that services of resource exist)
<u>Market Benefits</u>	Property Values	
Industrial Water Supply Agricultural Water Supply Municipal Water Supply Commercial Fishing	Aesthetics (scenic views, water enhanced recreation)	
<u>Non-Market Benefits</u>		
Recreational Fishing Hunting Industrial Water Supply Agricultural Water Supply Municipal Water Supply		
Non-Consumptive:		
Swimming Boating Human Health		

Non-Degradation for a Public Entity

Antidegradation is not a "no growth" rule and was never designed nor intended to be one. It is a policy that allows the public to make decisions about important environmental actions. Where the State intends to provide for development, it may decide that some lowering of water quality in "high-quality waters" is necessary to accommodate important economic or social development. Any such reduction in water quality, however, must protect existing uses fully and must satisfy the requirements for intergovernmental coordination and public participation.

To determine if water quality can be lowered for a new public development, the same tests are used as in this worksheet. However, the questions asked are slightly different.

Questions:

- (1) Will the pollution controls needed to maintain the high-quality water interfere substantially with the proposed public development in a way that compromises the community's current financial and socioeconomic well-being ? (Analogous to secondary test for Substantial Impacts)
- (2) Is the proposed public development important economically and socially to the study area? (Analogous to Widespread Impacts Test)

The tests used to demonstrate 'interference' and 'importance' are the same as those used to demonstrate substantial and widespread impacts. The difference is, however, that an antidegradation review considers situations that would improve the current economic condition as opposed to hurting them.

If the answer is no to either of questions 1 or 2 above, then the analysis is over---no degradation of water quality is necessary.

If the answer is yes to both questions, then the tests must show that the public development interfered with by the pollution controls necessary to prevent degradation *is* an *important* economic and social development.

To answer question (1), please complete Worksheets A through F, and the Substantial Impacts Matrix.

To answer question (2), please complete the DEQ Widespread Criteria worksheet.

Complete the summary information on tab following this one entitled 'Non_deg Summary'.

An antidegradation review must determine that the lowering of water quality is necessary in order to accommodate important economic or social development in the area in which the waters are located.

While the terminology is different, the tests to determine substantial and widespread economic impacts (used when removing a use or granting a variance) are basically the same as those used to determine if there might be interference with an important social and economic development (antidegradation). As such, antidegradation analysis is the mirror image of the analyses described in Chapters 2, 3 and 4 of the EPA Guidance.

Variances and downgrades

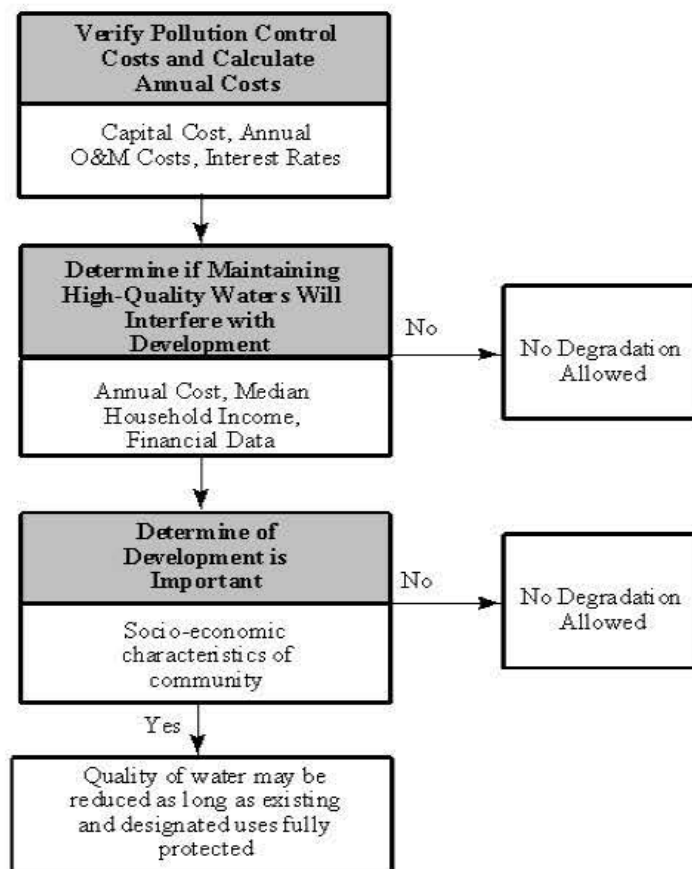
refer to situations where additional treatment needed to meet standards may result in

worsening economic conditions; while antidegradation refers to situations where lowering water quality may result in improved social and economic conditions.

When performing an antidegradation review, the first question is whether the pollution controls needed to maintain the high-quality water will interfere with the proposed development. If not, then the lowering of water quality is not warranted. If, on the other hand, the pollution controls will interfere with development, then the review must show that the development would be an important economic and social one. These two steps rely on the same tests as the determination of substantial and widespread impacts.

The analytic approach presented here can be used for a variety of public-sector and private sector entities, including POTWs, commercial, industrial, residential and recreational land uses, and for point and nonpoint sources of pollution.

**Figure 5-1:
Antidegradation Review**



Instructions: Fill out the Summary Worksheet below for Non_Deg in order to summarize the results that you reach for each step for your analysis. This is help to give a simple overview of what you found out.

OVERALL STEPS SUMMARY

Step 1: Verify Project Costs and Calculate the Annual Cost of the Pollution control project

Step 2: Calculate Total Annualized Pollution Control Costs Per Household

Step 3: Calculate and Evaluate the Municipal Preliminary Screener Score-- identifies only entities that can pay for sure

Step 4: Apply the Secondary Test - Will the pollution controls needed to maintain the high-quality water interfere with the proposed public development in a way that compromises the community's current financial and socioeconomic well-being

Step 5: Assess where the community falls in The Substantial Impacts Matrix - This matrix evaluates whether or not communities are expected to incur **substantial** economic impacts due to maintaining high quality waters (e.g. interference with public project). If the applicant cannot demonstrate substantial impacts, then they will be required to meet existing water quality standards.

Step 6: If impacts are expected to be

substantial on the community, then the applicant goes on to determine whether they are also expected to be 'important' (Go to "DEQ Widespread Criteria" tab to answer this question). For Non-deg, the question is: Is the proposed public development important economically and socially to the study area? (Analagous to Widespread Impacts Test)

Step 7: Present the Final Conclusion
